

## Message Text

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43 L

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 TRSE-00 XMB-02 L-02 SS-15

NSC-05 CIAE-00 INR-07 NSAE-00 COME-00 OPIC-03 AID-05

SSO-00 INRE-00 NSCE-00 /065 W

----- 110593

O R 301716Z APR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 9760

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L BONN 07011

PASS EXIM AND TREASURY FOR CANNER

E.O. 11652, GDS

TAGS: EFIN, ETRD, EIND, GW

SUBJECT: STEEL EXPANSION PROGRAM: GERMAN FINANCING

REF: BRASILIA3230

1. OFFICIALS OF THE FRG ECONOMICS MINISTRY PROVIDED THE FOLLOWING BACKGROUND INFORMATION ON THE FINANCING OF THE MULTISTAGED EXPANSION OF THE BRAZILIAN STEEL MILLS (REFTEL). SUBSEQUENT TO A BONN VISIT SEVERAL MONTHS AGO BY OFFICIALS OF THE BRAZILIAN GOVERNMENT (IN WHICH THE BRAZILIANS EXPRESSED A NEED FOR UPWARDS OF \$L BILLION IN FOREIGN EXCHANGE), THE FRG HAS OFFERED A \$L80 MILLION HERMES GUARANTEE TO A CONSORTIUM OF GERMAN BANKS FOR A LOAN OF AN EQUAL AMOUNT TO THE BRAZILIANS.

2. THE ECONMIN OFFICIALS SAID THERE WAS CONSIDERABLE RELUCTANCE TO GO EVEN THIS HIGH SINCE THE VARIOUS GERMAN COMMERCIAL BANKS (ACTING AS THEY DO AS THE VEHICLE OF THE FRG EXPORT FINANCING PROGRAM; THE GOVERNMENT GRANTS ONLY EXPORT CREDIT INSURANCE) HAVE EXPERIENCED INCREASING  
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DIFFICULTIES WITH THE LOANS TO BRAZIL.

3. THE BANK CONSORTIUM LOAN IS FOR 12 REPEAT 12 YEARS  
WITH A 90 PERCENT COVER WHICH, ACCORDING TO THE ECONMIN,  
DUPLICATES TERMS OFFERED UNDER THE FIRST STAGE  
EXPANSION.

4. THE FINANCING FOR THE THIRD STAGE OF THE STEEL MILL  
EXPANSION APPARENTLY HAS RECEIVED CONSIDERABLE INTRA-EC  
DISCUSSION WHICH, PER ECONMIN, HAS RESULTED IN AN  
UNDERSTANDING THAT SUBSEQUENT FINANCING BY ANY EC MEMBER  
WILL BE 85 PERCENT COVER, 10 YEAR MATURITY. THIS  
UNDERSTANDING IS TO BE FINALIZED SHORTLY.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INDUSTRIAL DEVELOPMENT, ECONOMIC ASSISTANCE, STEEL PLANTS, CREDIT AGREEMENTS  
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**Disposition Approved on Date:**  
**Disposition Authority:** ellisoob  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**To:** STATE  
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